

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

September 18, 2015

Mr. John Halikowski, Director
Arizona Department of Transportation
206 South 17th Avenue
Phoenix, AZ 85007

Dear John:

In response to the *Amended* Project Investment Justification (PIJ) for the “PC Refresh” project, my staff has reviewed your updated proposal to utilize a five-year third-party financed purchase approach to replace the Agency’s aging personal computing (PC) fleet.

The original PIJ implied funding was available from the appropriated State Highway Fund in the amount of \$5,651.9 thousand for the total three-year life cycle cost of the project. The amended PIJ implies that the same funding is available in the amount of \$6,704.1 thousand for the total five-year life cycle cost of the project.

The original PIJ was **Approved with Conditions** by the Information Technology Authorization Committee (ITAC) on August 27, 2014 as follows:

1. ADOT may proceed to issue a Request for Proposal (RFP) for the lease approach, however ADOT may not award a contract or expend funds until an updated PIJ reflecting the results of its evaluation, a detailed itemization of technology to be leased and acquired, and final costs, has been submitted to ADOA-ASET for review and approval.
2. Should the final costs exceed projected costs by 10% or more, review and approval of the amended PIJ by the Information Technology Authorization Committee (ITAC), in Executive Session if applicable, will be required before the project can proceed.

This is notification of Arizona Strategic Enterprise Technology Office's recommendation to the Information Technology Authorization Committee (ITAC) for **Approval with Conditions** of the *Amended* technology project as follows:

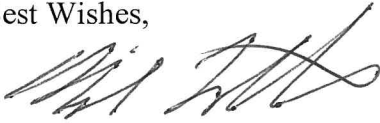
1. Should the final costs exceed projected costs by 10% or more, review and approval of the amended PIJ by the Information Technology Authorization Committee (ITAC) will be required before the project can proceed.

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The ITAC is scheduled to meet on September 23, 2015 to review this project.

Should the ITAC approve the project, you may then proceed to secure additional approvals as required from the Joint Legislative Budget Committee, the Office of Strategic Planning and Budgeting, and the State Procurement Office.

Best Wishes,

A handwritten signature in black ink, appearing to read 'Michael J. Lettman', with a stylized, flowing script.

Michael J. Lettman
Acting State CIO and Chief Information Security Officer
Arizona Strategic Enterprise Technology (ASET) Office

jd

cc: Jesse MacDonough, ADOT
Rich Nacinovich, ADOT
Bruce Bosco, ADOT
Doanh Bui, ADOT
Rebecca Perrera, JLBC
Christopher Olvey, OSPB
Barbara Corella, SPO
J.R. Sloan, ADOA-ASET
James Dean, ADOA-ASET

ASET# DT15001_A

Analyst: James Dean

PIJ Summary - ASET

Project Number: DT15001_A

<i>Agency Name & Address</i>	<i>Contact Information</i>
Arizona Department of Transportation 206 S. 17 th Avenue Phoenix, AZ 85007	Jesse MacDonough 602.712.4433 jmacdonough@azdot.gov
<i>Project and Investment Justification Name</i>	<i>Date Submitted</i>
PC Refresh	August 5, 2014 - Original PIJ <i>September 14, 2015 - Amended PIJ</i>

Project Overview

Problem Description

The Arizona Department of Transportation (ADOT) Information Technology Group (ITG) currently maintains a personal computer (PC) fleet of 5,500 desktop and laptop computers. While investments have been made in support of a server based computing/thin client approach, ADOT has not executed a PC Refresh program since 2006. Over time, aging computing resources become obsolete, causing performance degradation, excessive support and repair activity, and loss of reliability. Of the PCs still in operation, ADOT has determined that nearly 70% are now more than 3 years old and 50% are 6-13 years old, with 61% still running Windows XP, which is no longer supported by Microsoft (MS). Additionally, there are application and software compatibility issues with PCs running older operating systems and web browsers. According to industry best practices, client-side computing devices have a useful life expectancy of 3-5 years and should be replaced within that timespan to keep pace with the ever-increasing hardware requirements of operating system and business productivity software. The current out of warranty and older equipment does not provide the flexibility, performance and reliability needed for the more complex applications and operating systems in use.

Solution

In order to consistently provide for its PC technology needs, ADOT is proposing to adopt a 3-year hardware refresh cycle program, utilizing a lease/rental agreement. This approach will enable the ITG group to continue to provide reliable and up-to-date technology services to the Agency, while keeping costs predictable and manageable. With this project, ADOT is proposing to replace 3,800 PCs that have been determined to be more than 3 years old as of the start of FY15. Peripheral hardware such as monitors, printers and scanners will be included in scope to replace older equipment as specified by ADOT's business area managers. Desktop software needs will also be reviewed, in order to complete a full inventory of the Agency's software portfolio and eliminate old, unneeded and/or unsupported titles. Required titles that are found to be incompatible with MS Windows 7 and MS Windows 8.1 will be replaced with the most current versions. Turn-key professional services will be used to accelerate project delivery and success. Development costs in the PIJ reflect estimated services and software to implement the project, while operational costs reflect a 3-year lease term. While the lease agreement is expected to include an option to purchase, it is ADOT's intention to continue with the proposed 3-year hardware refresh program on an ongoing basis.

While a Request for Proposal (RFP) was issued, the solicitation was not awarded and ADOT executive leadership made a decision to pursue a different approach, moving from a three-year PC lease program model to purchasing the PC hardware on a five-year cycle. A Request for Quote (RFQ) was issued and a vendor was selected based on pre-defined criteria. In lieu of incurring up-front costs for the required equipment, however, ADOT is proposing a third-party financed purchase, to replace existing desktop and laptop equipment that is older than five years, using hardware and software sourced from major manufacturers. Desktop and laptop computers will be deployed with either MS Windows 7 or Windows 10, depending on application compatibility. Existing software titles found to be incompatible with the latest Windows operating system will be replaced with the most current versions. ADOT has amended the PIJ to reflect the current planned approach and associated costs, per the Condition applied on the original PIJ approval.

Major Deliverables and Outcomes

With this project, ADOT is proposing to lease an estimated 2,450 desktop computers, 1,150 laptop computers and 200 tablets, as well as 500 laser printers, 2,000 monitors and 300 scanners, to replace existing equipment with greater than 3 years of use. ADOT has also projected the cost of installation services and software that may be required, with desktop and laptop computers to be deployed with MS Windows 7, tablets with MS Windows 8.1, and all devices to include MS Office 2010 Professional and required up-to-date, compatible software. While counts have been estimated, a business area needs assessment is currently being conducted to produce the detailed device types and counts for the project. ADOT will issue a Request for Proposal (RFP) based on this analysis and pre-defined evaluation criteria, including method of approach, overall cost, vendor experience in providing similar hardware and services, and the overall organization and completeness of the vendor proposal. Once selected, ADOT will work with the vendor to finalize a schedule and approach for implementing the project.

After completing the planned business area needs assessment, and given a five year refresh cycle, ADOT is proposing to replace 3,408 desktop and laptop PCs that are currently older than five years. Equipment counts for the PCs and other peripheral and additional hardware have been updated as follows:

- *1828 Standard Desktop PCs*
- *313 Power Desktop/Workstations*
- *651 Standard Laptops*
- *387 Lightweight Laptops*
- *151 Ruggedized Laptops*
- *78 Mobile Workstations*
- *500 Desktop Laser Printers*
- *2186 Monitors*
- *300 Scanners*
- *Specialized Apple workstations for Arizona Highways' use including –*
 - *4 27" iMacs*
 - *1 21.5" iMac*
 - *6 Mac Pros*
 - *2 15" MacBook Pros*

Development costs in the amended PIJ reflect up-front Professional & Outside Services for the vendor to deploy the proposed equipment, at cost of \$373 per workstation, inclusive of services charges for configuration and imaging, imaging updates (up to seven per year), application packaging and sequencing, and data migration, as well as project management and site surveys for both a pilot and deployment phase. Other Professional & Outside Services costs include an estimated Data Destruction Services fee, and a nominal charge per device for estimated Retired Equipment Pickup/Disposal Services. Additional Development costs in the PIJ include the first of three payments for an enterprise software license for Adobe products being purchased, along with estimated costs for other software upgrades for those PCs that are currently running older versions of MS Windows. In addition to the Operational costs associated with the monthly payments that ADOT will incur for financing the proposed equipment, the amended PIJ includes annual hardware financing costs for the five-year term, as well as the remaining payments in years two and three for the Adobe Creative Cloud, Desktop Products, Document Cloud, and Enterprise Support enterprise licenses.

Benefits

The primary intent of the project is to address ADOT's ongoing personal computing equipment replacement needs in a cost effective and efficient manner. New hardware will allow ADOT to move to the latest, fully supported MS operating systems and resume critical security patching. The new PC equipment will run software and applications faster and avoid many of the performance and compatibility issues associated with older hardware and unsupported operating systems. Leased computers that are replaced every 3 years will help to mitigate the risk of equipment failure and will not require the level of maintenance and support costs that ADOT has typically incurred for aging equipment. In addition, research that ADOT has conducted to date indicates that hardware obtained through a leasing arrangement costs less than a straight purchase, and can help balance the trade-offs between the total cost of ownership and operating efficiency. Estimated operating costs in the PIJ reflect an annual lease rate factor of 0.29, resulting in a total hardware cost of \$4.51 million over 3 years, whereas purchasing the same hardware would have incurred a one-time cost of \$5.26 million.

While the amended approach will still provide many of the technology-related benefits identified in the original PIJ, computer hardware will now be purchased via a financing arrangement on a five-year cycle, rather than a three-year lease. ADOT is planning to utilize vendor services to implement the asset management identification tags on the purchased equipment.

Project Management

ADOT ITG staff will manage the project, working with the selected vendor to ensure conformance to contract specifications. Vendor services will be used to manage all aspects of equipment handling, including receiving, storage, configuration, deployment and disposal of all retired hardware through the Surplus Property Management Office. The ITG PCLAN team will act as the technical point for project deployment.

Enterprise Architecture

Compliant.

Original Summary of Proposed Costs

<i>All Figures in Thousands (\$000)</i>						
<i>Cost Description</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Development Costs	1,140.0	0.0	0.0	0.0	0.0	1,140.0
Operational Costs	1,504.0	1,504.0	1,504.0	0.0	0.0	4,511.9
Total Project Costs	2,644.0	1,504.0	1,504.0	0.0	0.0	5,651.9

Amended Summary of Proposed Costs

<i>All Figures in Thousands (\$000)</i>						
<i>Cost Description</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>Total</i>
Development Costs	1,657.6	0.0	0.0	0.0	0.0	1,657.6
Operational Costs	979.3	1,054.3	1,054.3	979.3	979.3	5,046.5
Total Project Costs	2,636.9	1,054.3	1,054.3	979.3	979.3	6,704.1

Recommendation: Approval with Conditions

1. Should the final costs exceed projected costs by 10% or more, review and approval of the amended PIJ by the Information Technology Authorization Committee (ITAC) will be required before the project can proceed.